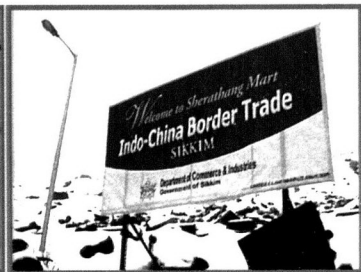
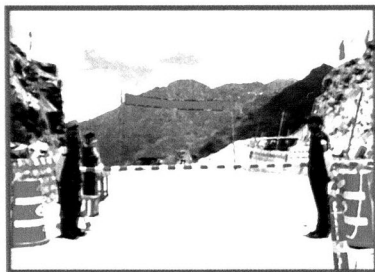


Sikkim's Tryst with Nathu La

What Awaits India's East and Northeast?



Edited by
Jayanta Kumar Ray
Rakhee Bhattacharya
Kausik Bandyopadhyay

The book deals with the issues concerning Sikkim's development in the wider context of the prospects of trade relationship between India and China through Nathu La. It offers insights and observations for a comprehensive analysis of the economic, political, social and cultural dynamics of development of Sikkim in the wider perspective of Northeast India-Southwest China cooperation, and their trade and security implications.

The volume aims to prove that Nathu La can provide a lesson that borders should become the meeting point for people to exchange and share transnational ideas, wealth and culture for a better world, rather than dividing them on narrower political and strategic visions. The volume is expected to draw attention to, and generate interest beyond Sikkim to other Northeastern states, which also have been suffering from various unlawful and unwanted activities from their closed borders with their neighbouring nations for a very long period of time. The book may be of use to policy planners and to those having interest in the region.

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US\$ 29.75

Jayanta Kumar Ray, a founder member of the Maulana Abul Kalam Azad Institute of Asian Studies, is presently the Chairman of its Executive Council. Some of his previous assignments were: Centenary Professor of International Relations and Director of Centre for South and South-East Asian Studies, University of Calcutta; Professor of Behavioural Sciences, Indian Institute of Public Administration, New Delhi; Senior Research Associate, Institute for Defense Studies and Analysis, New Delhi. He has to his credit a number of important publications in the field of public and international affairs.

Rakhee Bhattacharya, an economist by profession, is currently a Fellow with the Maulana Abul Kalam Azad Institute of Asian Studies, Kolkata. She is also an Endeavour Post Doctoral Research Fellow in the School of International Studies in the University of South Australia. She is the co-editor of *Northeast India: Administrative Reforms and Economic Development*. Her publications encompass the areas of development, disparity, poverty, regional economies and economy of insurgency.

Kausik Bandyopadhyay is a Senior Lecturer in History in North Bengal University, and a Fellow of the Maulana Abul Kalam Azad Institute of Asian Studies, Kolkata. He is the author of *Playing Off the Field: Explorations in the History of Sport*; co-author of *Goalless: The Story of a Unique Footballing Nation*; and co-editor of *Fringe Nations in World Soccer*.

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Foreword

The Indian Northeast region, comprising about 5 per cent of the land area and 8 per cent of the population of the country, is one of the most complex in Asia, with about 200 ethnic groups, languages and dialects. These societies have lived in isolation not only from the rest of the country but also from each other, and both legal and illegal migrations have created new fault-lines in traditional societies. The whole area, where parochialism transcends nationalism and regionalism, is in painful transition, trying to learn tolerance of other ethnic groups and adjust to the concept of planned development.

There is a tendency to assert that the Northeast is not 'integrated' with the rest of India because of ethnicity and insurgency, but this is only partially true. Arunachal Pradesh, which has the biggest number of tribes, is peaceful, while Manipur, which is prey to secessionist groups, is otherwise well integrated in terms of art, culture and sports. Nagaland is the only state where militants are not reconciled to their tribal space being a part of the Indian Union, though, even there, many people see benefits when compared to neighbours like Myanmar and Bangladesh.

There is another aspect to human integration: 90 journalists from Assam alone work in Delhi, 10 per cent of the information technology sector people in Bangalore are from the Northeast, hospitality sectors all over India look for and employ young people from the Northeast because they speak good English. Five thousand young persons from the region each year go to other states to find employment.

The Northeast comprises eight states with only one per cent bordering India – the rest of the borders are with Myanmar, China, Nepal, Bhutan and Bangladesh. India's trade with the countries bordering the Northeast has gone up by five times, but no impact is seen in that region because this commerce is through the seaports. The five-nation BIMSTEC was supposed to help the Northeast, but there is a lack of connectivity that precludes the opportunities leading to results.

Our import substitution economy after 1947 deprived the Northeast of its natural markets, as did the 1971 Bangladesh war. There are massive imports into the region, and Chinese consumer goods are to be seen in every marketplace. The exchange rate is unreasonably low for Chinese imports, and these goods have obviously not come through established channels. Illegal trade and smuggling exist because there is no trade facilitation.

There are three points for border trade with China at places where there is no dispute regarding the boundary; Lipulekh in Uttaranchal opened in 1993 and Shipkila in Himachal Pradesh in 1994. The Indian delegation to Beijing in 1994 proposed the opening of Nathu-la to the Chinese. It then took nine years for the memorandum to be signed, and a further three for the border point to be opened for trade.

For 58 years after the Younghusband expedition of 1904, Nathu-la had been the main artery between India and China and made possible 80 per cent of the trade between the two countries. The expectation at the reopening of Nathu-la was that by 2010 trade at Nathu-la would represent 10 per cent of the total Indo-Chinese trade, namely \$1 billion. Why 2010? Because the Border Roads Organization said it would take as long as that for the one-track road to be made into two lanes. Considering that India and China are two fastest growing world economies, and with Tibet itself growing at 12 per cent, Nathu-la should improve prospects for the whole Northeast, which has been left behind at about half of India's growth rate.

However, the optimistic prospects envisaged for Nathu-la trade and its beneficial effects have not materialized, and do not look as if they ever will. If the Northeast opens up, would it be primarily for our exports or only for imports of cheaper Chinese goods? This question seems to obsess the decision-makers in New Delhi, who always want to play safe.

Progress in the Northeast depends on the creation of assets in power, infrastructure and opportunities. India may be looking East but evidently not to our own Northeast. The shocking fact is that 97 per cent of the natural resources in the Northeast, such as hydroelectricity, biodiversity and minerals, is not exploited. There is practically no private sector involvement. The entrepreneur does not need tax breaks and incentives from the state. What he looks for are raw materials sources, the potential market and logistics.

Tourism could transform the Northeast. Ethnologically and linguistically, the Northeast has historic links with South-West China and the Mon-Khmer peoples in Myanmar and Thailand. The structures for tourism are poor, but infrastructure is equally poor in South-West China, Tibet, Nepal and Bhutan, which are all also landlocked. Yet those countries

and regions attract manifold numbers of tourists; Bhutan, Nepal, Tibet and Myanmar surpass by far the tourist numbers to the Northeast. No use has been made of specialized promotion, such as adventure, veterans of World War II, wildlife, spiritual or other nostalgia (for tea planters and missionaries) or eco-tourism. Air connectivity to the neighbouring countries does not exist, and in the permit *raj* of the inner line, restricted area, and protected area, permits constitute a serious obstacle.

The Northeastern Council was set up as long ago as 1971 and has been revamped many times since. Health and education are identified as priorities, along with employment, good governance and food security. The public's interest in participating in development is high. But while multiple recommendations are drawn up, little or nothing is seen on the ground.

The centre's response has characteristically been, as in Kashmir, to throw money at the problem with no consideration of outcomes or accountability. In addition to the allocations in the state plans, there are funds from the NEC, and Central ministries, since 1998 have allocated a non-lapsable 10 per cent of their budgets for the Northeast. There is reimbursement of expenditure incurred by Northeastern states on security-related issues, funds for the modernization of the police, border areas' development grants and other sources of funding—too numerous to mention. Yet the minimum identified needs have not been met despite the massive funds poured into the region. With this cornucopia of funds, there has been great seepage and massive corruption. Effective measures to prevent this have neither been devised nor executed. Pumping in funds leads to distortions in the economy unless there are investments in real assets. The shift from agriculture to industry and services is going at a snail's pace even compared to the rest of India.

There are legitimate fears of loss of identity, and the demand by various ethnic groups for increasingly more autonomy continues and has to be addressed. The need to protect the socio-cultural and religious practices of the various ethnic groups and to give them an effective say in running their own institutions has often been underlined. But there is no adequate devolution to the minority tribes in the autonomous areas, and funds are not released directly to the autonomous councils.

The various ethnic fractures prevent cooperation in anti-militancy drives. The Union government has to deal with combating the 30-odd active militant groups both because of the state's reluctance to get involved owing to the alleged lack of financial and human resources, and the Centre's suspicion of the state governments' ability to keep intelligence reports confidential. Even to resist illegal migration, HIV-AIDS and drug

trafficking, there is little cooperation between the states. In other words, there is a lack of trust and faith all around.

This is the reason that so many aspects of governance in the region have been left to the supervision of the army, and the prolonged deployment of the military, which is unfamiliar with the local terrain, language, culture and social ethos, has led to serious recriminations and has alienated local people. After 50 years of existence in the Northeast, the Armed Forces Act is viewed as tyrannical, and it inspires hatred.

The Union government might want to look East but most of its bureaucrats in the region look West. Admittedly, life is difficult, and education facilities are limited. There are restrictions on the acquisition of property by 'outsiders'. The result is that there is no long-term commitment on the part of the civil service. An administrative and police service for the region composed exclusively of officers from the Northeast is long overdue.

It is in this context that I would appreciate the efforts of the present volume to bring together diverse perspectives on the issues of development of Sikkim in the wider context of the reopening of Nathu-la and the perceived Indo-China economic cooperation. The way it includes the voices of the locals, and gets those compared and contrasted with the scholars from outside, should inspire future forays into the subject more intrinsically.

Krishnan Srinivasan

Former Foreign Secretary, Government of India
& Hony. Fellow, MAKAIAS

Preface

Maulana Abul Kalam Azad Institute of Asian Studies (MAKAIAS), Kolkata, took up the initiative to pursue a long-term Northeast India Research Programme to understand and address the dynamics and issues of development in Northeast India in the late 1990s. Since then, it carried out a number of projects, organised conferences and symposiums, and brought out publications in this process. The aim of such initiatives was not only to pursue academic research and promote intellectual awareness on the subject, but also to provide viable suggestions and policy inputs for the central as well as the regional governments. The first phase of initiatives came to fruition in 2006, when the Institute, at the initiative of Prof. Jayanta Kumar Ray, our Chairman, undertook a Northeast India Research Programme, with a core group of Fellows working on the subject. Eminent experts like Prof. B.B. Bhattacharyya, Hon'ble Vice Chancellor, Jawaharlal Nehru University, have been our advisors in the effort.

Since the beginning of the second phase, we have already organised two national conferences – one in Aizawl on 19-20 April 2007 and the other in Shillong on 11 July 2007. These seminars covered many of the macro issues of the regions, concerned with development as the overarching factor. The seminars gave us tremendous feedback from the speakers, both from within and outside the States. Scholars participated extensively, dealing with many pertinent issues that underline the challenges today in Northeast India. Proceedings of these conferences, being published by the Institute, will serve as a valuable input to the researchers as well as to the policy makers.

While holding this kind of seminars, we work on the assumption that, going to that remotest part of the country and doing this academic exercise along with the participation of the local people, there could develop a mutual sense of trust, friendship and cooperation. The people there were over-enthusiastic to discuss their problems. So, such academic

exercises, stressing participation by the local people, can probably be one way to eliminate their sense of alienation and isolation that always prevails amongst the people in the region. The people of such remote areas of India have a feeling that it is only the Delhi bureaucracy, which works on the policies of the Government of India. But we tried to argue that, academic interactions could also be an extremely useful and powerful tool to deal with the issues of Northeast India. Grievances were ventilated vigorously by the local scholars both in their presentations and in the interactive sessions of the seminar. Many respected senior citizens of the civil society, young energetic scholars, students and professionals took part in both the above-noted seminars.

So, as a learning experience through these seminars, it was realized that, it is very important to establish a strong academic forum in the region by holding seminars, dialogues, etc. and most importantly by doing ground level/action research in collaboration with the participation of the local scholars. Thus, the reason for holding seminars in these Northeastern states is to search for a team of young and committed scholars, who can jointly take up some micro issues of development in the region, which are location-specific, and make an in-depth ground level research, using local resources and catering to the local needs and demands. This is an important dimension of the research initiative of MAKAIAS on Northeast India. With this in mind, it has been planned to organize seminars/seminar series in all the eight States of Northeast India over a long span of time, covering one State at a time, dealing with both their local problems as well as the issues arising out of relations with countries across the international border. This is because, unless local issues are understood deeply, one cannot design policies to cope with the bewildering heterogeneity and complexity of Northeast India. Also, since the region shares long boundaries with India's neighbouring countries, all economic, strategic and cultural aspects of relations with neighbours have to be given necessary attention. Only then, possibly, a degree of peace, prosperity and self-sufficiency can prevail within this region, and lasting solutions to existing problems can be found.

With all this in mind, a third conference was organised on *Sikkim in the Perspective of the Development Dynamics of East and Northeast India* in Sikkim, the most prosperous State of Northeast India. It was organised in collaboration with the Ecotourism and Conservation Society of Sikkim (ECOSS) in Gangtok on 19-20 November 2007. This conference may also be regarded as a follow-up of an earlier one-day seminar on *Perspective of Economic Development in the Teesta-Eco Region* organised

by MAKAIAS in collaboration with the Sikkim Development Foundation in Gangtok on 4 November 2003. It envisaged many of the issues taken up for academic and policy considerations after the reopening of the Nathu-la.

Jayanta Kumar Ray
Rakhee Bhattacharya
Kausik Bandyopadhyay

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This volume is an outcome of the Northeast India Research Programme of Maulana Abul Kalam Azad Institute of Asian Studies (MAKAIAS), Kolkata. We take the privilege to thank all, who have remained involved and supportive in this research endeavour over the years. We extend our deep gratitude to Prof. B. B. Bhattacharya, Vice Chancellor, Jawaharlal Nehru University, New Delhi, who is the Advisor of the Northeast India Research Programme of MAKAIAS. Our thanks go to Prof. H.S. Vasudevan, Ambassador Krishnan Srinivasan, Dr. Amiya Chaudhuri, Dr. P.K. Sengupta, Dr. Binoda Kumar Mishra, Mr. Soumya Kanti Mitra and Mr. Mainak Sen for their persistent academic as well as logistic supports in this ambitious programme. We owe a special debt to Mr. P.D. Rai, without whose enthusiasm and guidance, the conference in Sikkim would have been difficult to organise. We are thankful to the staff of the Ecotourism and Conservation Society of Sikkim, Gangtok, especially its Executive Secretary Mr. Renzino Lepcha, for his unfailing cooperation in this regard. Mr. M.G Kiran deserves a special thanks for his cooperation in collating the documents and photographs for this volume. We are indebted to the distinguished authors of this volume, who, despite their pressing commitments, have enriched the volume with their insightful contributions. Finally, we thank all our friends and well wishers, who worked silently but steadily to make this venture a reality.

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Introduction

This volume comprises nine essays focussing on Sikkim's development based on its own resources, on resources generated by interactions with a neighbouring country through Nathu La, and by integration with the whole of Northeast and east India, along with a few important documents, speeches and reports, relating to the reopening of Nathu La for Indo-China trade, relevant maps and photographs.

In the first essay, Amiya K. Chaudhuri casts a close look at the nature of politics and good governance in Sikkim in a development perspective. He does this by considering the stage of economic development, distributive justice, availability of economic resources actual and potential, the governing structure, competitive politics and interplay of the political parties within the state. The historical background, geographic location, demographic and cultural attributes also come out as important determinants in this context. Emphasizing the uniqueness of the Sikkimese political culture, where the question of Sikkimese identity plays a crucial role, he argues that a latecomer, small land-locked, state of India like Sikkim, even with weak communication networks and an ethnically divided society, could achieve visible economic advance because of its stable inclusive political structure and a proper socio-political vision backed by good governance. Chaudhuri rightly concludes that Sikkim can even prove itself as a model of good governance that helps in building a vibrant economy. However, when it comes to the possible impact of Nathu La's reopening on Sikkim's economy, he remains a little bit circumspect, and shows concern about Sikkim's economic security in such a context.

P.D. Rai, in his essay "Economic Achievements and Future Challenges of Sikkim", examines Sikkim's economic development in rapid transition and ponders whether the State is becoming a key model for the Northeastern States. He attributes Sikkim's economic development

to a number of important factors – a modern form of federal government, the central government's consistent policy of providing funds to accelerate the development of infrastructure and social transformation, private capital formation, growth of tourism and its associated services, recent upsurge in industrial activity, establishment of higher educational institutions, transformation in the banking sector and setting up hydropower projects. However, in the context of the reopening of Nathu La, which is sure to change Sikkim's future outlook forever, Rai cautions us about the geographical, environmental, societal, geopolitical and demographical challenges Sikkim has begun to face. Along with two most important internal assets of Sikkim – heritage and biodiversity – he draws attention to a key externality: the politico-socio-economic instability of Darjeeling district. To make Sikkim's economic transformation sustainable, Rai concludes, human resources and managerial capacities have to strongly complement the financial and infrastructural resources.

M.G. Kiran's contribution gives us a government's perspective on the true significance of the reopening of Nathu La. Outlining the potentials of this trade route, he informs how the State Government plans gradually to convert this shortest and easiest overland access to China as one of the resilient means of commodity and service exchanges in the next few years. Despite the problems of trade that remain to be resolved on both sides of the border, Kiran believes, Sikkim, with huge tourism and economic potentials, has much more to gain out of this economic tie-up, and hopes that, if India could match the Chinese infrastructure on her side of the border, Nathu La should witness free trade by 2010.

The realities of trade through Nathu La after its reopening have found illustrative elaboration in K. Elumalai's essay "India-China Border Trade through Nathu La: Prospects for Growth and Investment in Sikkim". The essay discusses the issues related to border trade between India and China through Nathu La, and its implications for Sikkim's economy through a small field survey in the form of stakeholder consultations, conducted in Sikkim and Nathu La between October 2006 and January 2007. Elumalai casts his eye on various dimensions of the trade in this context: growth of bilateral trade between India and China, the nature of border trade through various land routes, the performance of border trade through Nathu La, major problems reported by traders, the scope of expanding border trade and its impact on Sikkim's economy. For Elumalai, the opening of Nathu La provides a window of opportunities for generating various economic activities in Sikkim, thereby leading to the general welfare of the local people of the State. He therefore suggests that Nathu La should

be a regular trading point between India and China now for furthering the economic and security interests of not only Sikkim but also east and Northeast India as a whole.

Binoda K. Mishra, in his paper, "Looking at Nathu La through the Security Prism", however, approaches the matter from a somewhat different perspective and argues that while there are promises of absolute gains from border trade arrangements between Northeast India and Southwest China, the security concerns, defined in terms of relative gains, make India cautious and her policies ambivalent. Quite naturally, the calculation of benefits from the opening of this pass is just not economic but also strategic vis-à-vis a country with which India does not share a predictable action-reaction relationship. Mishra, therefore, suggests that the question of opening this pass and using it for economic prosperity of the border areas of both the countries have to be considered in the context of the overall political and strategic relationship the countries have shared in the past and expect to share in the future. Yet, he remains optimistic in his assertion that border trade, particularly through Nathu La, can be viewed as a confidence building measure, and be pursued with a positive approach, keeping it outside the relative gain calculus.

Another significant dimension of Sikkim's development in the context of reopening Nathu La has been the formidable growth potential of its tourism sector. Renzino Lepcha, in his paper "Travel and Tourism: Economic and Cultural Ties and Buoyancy", delves into the problems and prospects of tourism in the Northeast in general and Sikkim in particular in the wider context of contemporary global movement of tourism. He underlines the importance of rich religious and cultural heritage of Sikkim in developing its tourism sector to an international standard. The process of cultural revitalisation needs to go hand in hand with economic buoyancy to achieve this end. In such a perspective, the Nathu La Pass can easily become one of the most important tourism circuits in the world, thereby giving a tremendous boost to the region's economy. Despite outlining the tourism possibilities through this route by 2012, Lepcha laments that the current cautious attitude of India makes Nathu La seem far from being a viable proposition for expanding tourism between India and China. He urges the Indian Government to take positive initiatives to unlock the real value of the route.

Going beyond the issues of Sikkim's development and the implications of Nathu La, Shubhrajeev Konwer brings into focus more general concerns of security and border management with regard to the immediate international neighbours of Northeast India – China, Bhutan,

Bangladesh and Myanmar. There are serious obstacles and troubles such as the proliferation of small arms, drug trafficking, illegal migration, shelter to terrorists in Myanmar, Bhutan and Bangladesh, border disputes with China and border skirmishes with Bangladesh's army – which have multiplied Northeast India's vulnerability in recent years. Konwer's essay identifies the nature and problems of cross border terror linkages and the security challenges that the Indian state faces. In an age of growing trade and investment with the ASEAN countries, unless the issues of security are properly addressed, urges Konwer, the Northeastern States are not likely to benefit from the same, and the Indian government's avowed policy of development of the region through 'Look East' will remain very much a mirage.

Taking into consideration the rich biodiversity of the Teesta-Eco region, J.P. Tamang, in his essay "Teesta Eco-Region and Bio-Resources: An Awaited Future", discusses the future potentials of the Darjeeling hills and Sikkim as well as Northeast India as a whole in the context of the reopening of Nathu La. Being an active centre of evolution of many new gene pools, this region is possessed with such valuable components as indigenous food crops, ethnic fermented foods, edible wild plants and their fruits, wild honey, medicinal herbs, orchids, and ornamental and wild flower plants, which, if utilized properly, may lead to the region's sustainable development. Tamang also highlights the opportunity for big investment in the agro-processing sectors in the Teesta Eco-region by way of value-addition to region's food/bio resources. To him, the ample bio resources of the region can be explored by establishing a *prima facie* good bio-resources management.

The last essay by Sohel Firdos focusses on Nathu La's potential contribution to the growth of tea trade between India and China and the development of Sikkim in that process. Examining the linkages between the tea industry of West Bengal and the development of Sikkim, he explores the challenges and prospects of marketing, investment and trade in tea in the State. If good connectivity and proper infrastructure are established, Sikkim may emerge as a hub of collection, distribution and marketing of tea grown in West Bengal and Assam, since tea industry in India is facing a renewed challenge of competition to compete in the export market, both in terms of quality and quantity. In the context of the reopening of Nathu La, which can always become a vital point of tea export to Tibet, argues Firdos, Sikkim may act as a collection point and blending centre of tea from China and eastern India for re-export, thereby generating foreign exchange for the State.

Sikkim's economy has been performing brilliantly in recent years with a strong political vision and leadership, and seems to have a bright chance to catch up with many other prosperous states of India. In this sense, it can be the role model for other Northeastern states. So it is urgent to find all the economic viabilities of this state, as development is the ultimate aim and goal of this research mission. This economic viability cannot be gauged without the perspective of Nathu La, which experienced a historic reopening for trans-border trade on 6 July 2006 after 44 years with profound hope and vision for Sikkim-China relations. Nathu La has become one of the most vibrant issues for Sikkim in terms of its socio-political and economic ambience. People's dreams and despairs with Nathu La are now debated at various forums. The optimists believe that if this pass is optimally utilized, prosperity will definitely go beyond Sikkim and will have a spillover effect in the whole of east and Northeast India. So Sikkim's destiny today can no longer be envisioned without Nathu La and its related issues.

Overall, with an aim to prove that Nathu La can provide a lesson that borders should become the meeting point for people to exchange and share transnational ideas, wealth and culture for a better world, rather than dividing them with a narrow political vision, the volume is expected to draw attention to, and generate interest in, not only the problems and prospects of Sikkim, but of other Northeastern states, who also have been the victims of the closed borders with their neighbouring nations for a very long period of time.

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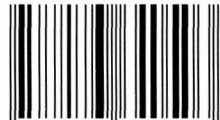
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